

Message Text

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ORIGIN XMB-04

INFO OCT-01 AF-08 EUR-12 ISO-00 AID-05 CIAE-00 COME-00

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TRSY:MRYSS (INFO)

AF/C:MGALLAGHER

EUR/NE:NACHILLES (INFO)

TRSY:SCONNER (INFO)

EB/IFD:OMA:BGCROWE

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FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA IMMEDIATE

AMEMBASSY LONDON PRIORITY

AMEMBASSY PARIS PRIORITY

C O N F I D E N T I A L STATE 214210

E.O. 11652: GDS

TAGS: EGEN-CG, UK, FR

SUBJ: EXIM INGA-SHABA PAYMENT FACILITY AGREEMENT

REF: KINSHASA 7059

1. IN ORDER TO COMPLY WITH EXIMBANK'S STATUTORY MANDATE TO EXTEND CREDIT ONLY WHERE THERE IS "REASONABLE ASSURANCE OF REPAYMENT", THE CONCEPT OF THE PAYMENT FACILITY AGREEMENT (AGREEMENT) WAS PUT FORWARD EARLY THIS YEAR. AFTER AN EXCHANGE OF LETTERS WITH THE GOZ IN WHICH APPROVAL OF THE CONCEPT IN SOME DETAIL WAS RECEIVED, THE OVERRUN FINANCING, CONDITIONED UPON SUCH AN AGREEMENT, WAS REVIEWED BY THE MEMBERS OF THE NAC AND BY THE GOVERNING COMMITTEES OF CONGRESS. AT THAT TIME INTENSE
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INTEREST IN SUCH AGREEMENT WAS SHOWN BY SOME OF THESE

ELEMENTS OF USG, AND ALL CONCERNED SHOULD BE AWARE OF EXIMBANK'S REPRESENTATIONS TO SUCH PARTIES THAT THE OVERRUN FINANCING WAS SUBJECT TO THE ESTABLISHMENT OF A PAYMENT MECHANISM COVERING EXIMBANK'S OLD AND NEW INGA-SHABA EXPOSURE. FOLLOWING RECENT EXHAUSTIVE REVIEW OF CASE, EXIMBANK HAS REAFFIRMED THAT IT CANNOT, UNDR BASIC CONCEPT UNDERLYING AGENCY'S ESTABLISHING LAW AND DAY-TO-DAY INTERPRETATION THEREOF, EXTEND FURTHER CREDIT WITHOUT THIS IMPROVEMENT IN ITS POSITION. CONSEQUENTLY, FULL PAYMENT MECHANISM IS ESSENTIAL IF ANY FURTHER CREDIT FOR PROJECT TO BE FORTHCOMING.

2. EXIMBANK CONTINUES PREPARED TO CONCLUDE ALL DOCUMENTATION FOR ADDITIONAL INGA-SHABA FINANCING WHILE CITIBANK AND BANKERS TRUST SUITS ARE IN PROGRESS. FINAL DECISION ON SUITS COULD BE MANY MONTHS OFF, WHILE NEAR-TERM NEED FOR FUNDS CLEARLY RECOGNIZED. EXIMBANK HAS CONCLUDED THAT SUITS CAN BE SUCCESSFULLY DEFENDED AND THAT AGREEMENT DOES NOT VIOLATE NEGATIVE PLEDGE CONVENANTS IN CITIBANK AND BANKERS TRUST CREDIT AGREEMENTS. IN FACT, SUIT CONSIDERED BY EXIMBANK SUFFICIENTLY WEAK ON LEGAL GROUNDS THAT AN IMPORTANT REASON FOR FILING MAY HAVE BEEN TO CREATE PERVASIVE GOZ CONCERN SO THAT AGREEMENT, DESPITE PREVIOUS GOZ ADVOCACY THEREOF, WOULD BE ABANDONED AT TWELFTH HOUR.

3. EXIMBANK HAS STATED INFORMALLY TO PARIS CLUB MEMBERS THAT AMOUNTS PAYABLE THROUGH AGREEMENT WOULD BE MODIFIED IN ACCORD WITH ANY FUTURE DEBT RESCHEDULING. AGREEMENT DOES NOT CONFLICT WITH PARIS CLUB RESCHEDULING OF JUNE 16.

4. EXIMBANK CONCERNED THAT SEPT 2 GOZ-COMMERCIAL BANK MEETING IN LONDON WILL BE VEHICLE FOR CONTINUED COMMERCIAL BANK PRESSURE ON GOZ TO ABANDON AGREEMENT. CONSEQUENTLY, EXIMBANK BELIEVES TIME HAS COME FOR COMPREHENSIVE PRESENTATION ITS VIEWPOINT TO FULL GOZ DELEGATION TO LONDON CONFERENCE, AND REQUESTS AMEMBASSY, KINSHASA TO ARRANGE MEETING SEPT 1 WITH DELEGATION IN LONDON PRIOR TO BANK MEETINGS TO REVIEW ENTIRE CASE AND CRITICAL NEW ELEMENTS EXIMBANK WILL PRESENT.

5. EXIMBANK WILL BE REPRESENTED BY DAVID O. BEIM, EXECUTIVE VICE PRES. MR. BEIM REQUESTS AMEMBASSIES LONDON OR PARIS TO PROVIDE TRANSLATION ASSISTANCE AND AMEMBASSY LONDON TO RESERVE CONFIDENTIAL

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SINGLE ROOM AT BRITANNIA FOR NIGHTS AUG 31-SEPT 1. ALL ADDRESSEES PLEASE CONFIRM ASAP.

6. FOR KINSHASA: PER WALKER/MARKS TELCON, DEPT AND EXIM AWAITING CABLE WITH DETAILS ROGERS/SHAUFELE MEETING. KISSINGER

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